

Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01

CIAE-00 EPG-02 DODE-00 FPC-01 H-02 INR-07 INT-05

L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15 OES-07

SP-02 SS-15 STR-04 TRSE-00 ACDA-10 /115 W

-----112116Z 000024 /64

R 101945Z MAY 77

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 5200

INFO USDOC

UNCLAS LA PAZ 3475

FOR: PASS INTERIOR BUREAU OF MINES

E.O. 11652: NA

TAGS: ENRG, BL

SUBJ: CHANGE IN YPFB POLICY RE FOREIGN COMPANY EXPLORATION

1. HIGH LEVEL OFFICIALS AT YPFB (BOLIVIAN STATE HYDROCARBONS COMPANY) HAVE INFORMED EMBASSY IN PRIVATE CONVERSATIONS THAT COMPANY FEELS YPFB'S NEW POLICY HAS NOT GOTTEN SUFFICIENT ATTENTION. THE NEW POLICY ESSENTIALLY CONSISTS OF A DECISION BY ROLANDO PRADA, YPFB GENERAL MANAGER, THAT NO AREAS IN BOLIVIA ARE ANY LONGER HELD IN RESERVE BY YPFB EXCEPT WHERE IT HAS IMMEDIATE PLANS TO DO EXPLORATORY DRILLING AND, A FLEXIBILITY IN INTERPRETING THE GENERAL LAW OF HYDROCARBONS TO ACCOMMODATE THE COMPANIES OPERATING IN OR CONSIDERING OPERATIONS IN BOLIVIA. EVIDENCE OF THIS FLEXIBILITY WAS YPFB'S APPROVAL OF TRANSFER OF A FINANCIAL OBLIGATION BY TESORO FROM THE ALTIPLANO TO THE SOUTH NEAR TARIJA WHERE IT FELT PROPECTS WERE BETTER. IN FACT, IN THIS CASE, THE CONTRALORIA GENERAL DE LA REPUBLICA HAS TOLD YPFB THAT IT EXCEEDED ITS AUTHORITY UNDER THE LAW.

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2. YPFB BELIEVES THAT THE DISCOVERY BY OCCIDENTAL OF OIL AT TITA IN EASTERN BOLIVIA SHOULD LEAD TO A REINTERPRETATION OF THE GEOLOGY IN THE LLANOS OR FLAT LADS THAT EXTEND FROM ARGENTINA TO PERU AND INTO THE CHACO TO THE EAST. HOWEVER, ACTIVITIES OF THE SEVENTEEN FOREIGN (PRIMARILY AMERICAN) CONSORTIMS OPERATING IN

BOLIA HAVE DECREASED AS A RESULT OF DISCOURAGING RESULTS AND CHANGED U.S. TAX LAWS. IN 1977 ONLY TWO COMPANIES WILL DRILL EXPLORATORY WELLS; TESORO CURRENTLY IN PROGRESS AND PHILLIPS (IN SEPTEMBER) OF COURSE OXY CONTINUES DEVELOPMENT OF THE TITAL STRUCTURE.

3. INTEREST IN PETROLEUM EXPLORATION IN BOLIVIA WAS HIGH IN 1973 FOR THE FOLLOWING REASONS: OPEC CRISIS, MORE FAVORABLE TREATMENT OF U.S. COMPANY OVERSEAS EXPLORATION BY U.S. TAX LAWS, GENERAL INTEREST IN SEDIMENTARY BASINS IN ECUADOR, PERU AND BOLIVIA. NOW INTEREST HAS DROPPED OFF AND YPFB IS DOING WHAT IT CAN TO STIMULATE INTEREST OF U.S. COMPANIES. A NEW POLICY HAS ALREADY BEEN FORMULATED WITHIN YPFB (APART FROM THE ITEMS MENTIONED IN PARA 1) BUT IT HAS NOT YET BECOME LAW. AMONG ITEMS UNDER DISCUSSION ARE SERVICE CONTRACTS FOR EXPLORATION IN WHICH A FOREIGN COMPANY DOES EXPLORATION WORK FOR YPFB BASED ON A LOAN OBTAINED BY THE COMPANY FOR YPFB. ALSO UNDER STUDY IS AN INCREASE IN DOMESTIC GASOLINE PRICES TO ALLOW YPFB MORE CAPITAL FOR ITS OWN EXPLORATION EFFORT. A NUMBER OF ADDITIONAL INCENTIVES TO FOREIGN COMPANIES ARE ALSO BEING CONSIDERED.

4. ACTION REQUESTED: STATE, COMMERCE AND INTERIOR ARE REQUESTED TO BRING THE ABOVE CHANGES IN POLICY TO THE ATTENTION OF U.S. OIL COMPANIES IN THE COURSE OF THEIR NORMAL CONTACTS WITH THESE COMPANIES.
STEDMAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, PETROLEUM INDUSTRY, EXPLORATORY DRILLING, PETROLEUM RESERVES
Control Number: n/a
Copy: SINGLE
Sent Date: 10-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LAPAZ03475
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770166-0475
Format: TEL
From: LA PAZ
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770575/aaaacmqy.tel
Line Count: 89
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 0c50c397-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 08-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2585771
Secure: OPEN
Status: NATIVE
Subject: CHANGE IN YPFB POLICY RE FOREIGN COMPANY EXPLORATION
TAGS: ENRG, US, BL, YPFB
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/0c50c397-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009